

SECRETNIO/EA
INCOMING

16/ /

IMMEDIATE

FRP: . . . 4

STATE

25X1

82 9332956

SSO

PAGE 001

NC 9332956

TOR: 271308Z AUG 82

OO RUEAIIIB

ZNY SSSSS ZDC STATE ZZH

STU1734

OO RUEHC

DE RUMJPG #1609/01 2391032

ZNY SSSSS ZZH

O 271021Z AUG 82

FM AMEMBASSY BEIJING

TO SECSTATE WASHDC IMMEDIATE 6597

BT

S E C R E T BEIJING 11609

EXDIS

E.O.12356: DECL: OADR

TAGS: US, CH, TW, MASS, PEPR

SUBJECT: AUGUST 17 COMMUNIQUE AFTERMATH: ANALYSIS AND
- RECOMMENDATIONS

1. (S) - ENTIRE TEXT.

2. SUMMARY. THE CHINESE RETREAT ON KEY ELEMENTS IN THE COMMUNIQUE AND AMERICAN POST-COMMUNIQUE MOVES TOWARD CONTINUING SUPPORT FOR TAIWAN HAVE PRESENTED DENG WITH CERTAIN POLITICAL RISKS, PARTICULARLY ON THE EVE OF THE 12TH PARTY CONGRESS. COUNTERBALANCING THESE RISKS ARE POTENTIAL BENEFITS WHICH WOULD INCLUDE: AVOIDANCE OF A DOWNGRADING WHICH WOULD HAVE BEEN INTERPRETED AS A DEFEAT FOR DENG AND SERIOUSLY COMPLICATED CHINA'S ACHIEVEMENT OF STRATEGIC FOREIGN POLICY GOALS; THE COMMUNIQUE FURTHER BINDS THE USG TO A "ONE CHINA" POLICY; AND, THE DOCUMENT, IN CHINESE EYES, MAY INCREASE POLITICAL/PSYCHOLOGICAL PRESSURE ON TAIWAN, WEAKENING ITS POSITION IN THE SINO-AMERICAN-TAIWAN TRIANGLE. CHINESE CONCERN WITH APPEARANCES, ESPECIALLY IN THE PERIOD BEFORE AND DURING THE 12TH PARTY CONGRESS, WOULD BE SEVERELY JOLTED BY A SERIES OF LARGE-SCALE U.S. ARMS SALES ANNOUNCEMENTS, ESPECIALLY IF COUPLED WITH U.S. PUBLIC EXPRESSIONS OF SUPPORT FOR TAIWAN. BEIJING'S PUBLIC STATEMENTS SINCE THE COMMUNIQUE HAVE SOUGHT TO SIGNAL THAT FUTURE SINO-AMERICAN RELATIONS WILL REMAIN HOSTAGE TO CONTINUED MOVEMENT TOWARD SOLVING THE ARMS SALES PROBLEM. PRIVATELY, THE CHINESE HAVE ALREADY BEGUN TO PRESS US FOR AS MUCH INFORMATION AS POSSIBLE ON EACH TRANSACTION, WHILE ARGUING THEIR INTERPRETATION OF ELEMENTS IN THE COMMUNIQUE IN AN ATTEMPT TO CONSTRAIN OUR MANEUVERABILITY.

3. PRIVATE STATEMENTS ON PROSPECTS FOR SINO-AMERICAN RELATIONS BY CHINESE HERE, INCLUDING DENG XIAOPING, HAVE BEEN SOMEWHAT UPBEAT, SUGGESTING EXCHANGES OF VISITS TO GET THE RELATIONSHIP BACK ON TRACK. MFA OFFICIALS HAVE MENTIONED FINALIZATION OF THE DATES FOR THE NEXT MEETING OF THE JOINT ECONOMIC COMMISSION AND RENEWED MOVEMENT IN THE MILITARY FIELD. WE BELIEVE THAT, DESPITE THE UNCERTAINTIES WE WILL BE FACING OVER THE NEXT MONTH OR SO, WE SHOULD PROCEED PRUDENTLY TO EXPLORE EXPANDED CONTACTS. WE COULD FIRST FOLLOW UP DENG'S SUGGESTIONS FOR VISITS BY SECRETARY SHULTZ THIS YEAR, AND PREMIER ZHAO AND PERHAPS

State Dept. review completed

SECRET

SECRET

82 9332956

SSO

PAGE 002

NC 9332956

TOR: 271308Z AUG 82

PRESIDENT REAGAN NEXT YEAR. SENIOR WORKING LEVEL CONSULTATIONS ON BILATERAL AND STRATEGIC ISSUES IN EITHER CAPITAL BEFORE THE VISITS WOULD BE USEFUL. WE SHOULD REITERATE TO THE CHINESE THAT THE LIU HUAQING INVITATION REMAINS ON THE TABLE. END SUMMARY.

- CHINESE PERCEPTIONS OF THE AUGUST 17 COMMUNIQUE

4. IN THE NEW U.S.-CHINA COMMUNIQUE, DENG XIAOPING MADE POLITICALLY-SENSITIVE CONCESSIONS BY ACQUIESCING IN LANGUAGE WHICH ANTICIPATED DIMINISHING U.S. ARMS SALES TO TAIWAN BUT HELD WASHINGTON TO NO FIXED TIME SCHEDULE AND LINKED SUCH REDUCTIONS TO CHINA'S CONTINUED PURSUIT OF ITS PEACEFUL REUNIFICATION POLICY. WHILE THE AGREEMENT REPRESENTS A CHINESE RETREAT FROM PREVIOUS POSITIONS TAKEN PUBLICLY, DENG AND HIS SUPPORTERS PRESUMABLY CALCULATED THAT THE POTENTIAL BENEFITS OF THE COMMUNIQUE OUTWEIGHED THE INTERNAL POLITICAL RISKS. WE BELIEVE THAT SOME OF THE PERCEIVED BENEFITS WOULD INCLUDE:

- -- THE MODUS VIVENDI ON THE ARMS SALES AVOIDED A DOWNGRADING OF SINO-AMERICAN RELATIONS. IN CHINA, THIS WOULD HAVE BEEN INTERPRETED AS A DEFEAT FOR DENG, TARNISHED HIS IMAGE AS A LEADER, AND CARRIED NEGATIVE IMPLICATIONS FOR HIS WESTWARD-LOOKING "OPEN DOOR" POLICY. IT WOULD ALSO HAVE SERIOUSLY COMPLICATED ACHIEVEMENT OF THE PRC'S FOREIGN POLICY GOALS, AND CAUSED CONCERN AMONG SOME FRIENDS AND NEIGHBORS OF THE PRC.

- -- THE U.S. POSITIONS REFLECTED IN THE COMMUNIQUE WILL, IN THE CHINESE ANALYSIS, FURTHER BIND THE CURRENT ADMINISTRATION AND ITS SUCCESSORS TO A POLICY OF NON-SUPPORT FOR ANY "TWO CHINAS" OR "ONE CHINA, ONE TAIWAN" OPTION.

- -- THE SUCCESSFUL CONCLUSION OF NEGOTIATIONS OVER THE COMMUNIQUE WILL ENHANCE CHINESE LEVERAGE VIS-A-VIS THE JAPANESE AND, TO AN EXTENT, THE SOVIETS.

5. APART FROM THE ABOVE ADVANTAGES, THE CHINESE SEE ISSUANCE OF THE COMMUNIQUE AS APPLYING GREATER POLITICAL AND PSYCHOLOGICAL PRESSURE ON TAIWAN, WEAKENING ITS POSITION IN THE SINO-AMERICAN-TAIWAN TRIANGLE. BEIJING PROBABLY DOES NOT EXPECT THE COMMUNIQUE TO SPARK A NEAR-TERM CHANGE OF ATTITUDE IN TAIPEI; AND, NO DOUBT, IT ANTICIPATED EXDIS

THAT TAIWAN'S PUBLIC REACTION WOULD UNDERSCORE ITS UNQUALIFIED REJECTION OF ANY CONTACT WITH THE MAINLAND. NEVERTHELESS, DENG AND HIS ALLIES PROBABLY HOPE THAT THE COMMUNIQUE, IN COMBINATION WITH OTHER FACTORS, WILL HELP GENERATE WITHIN TAIWAN A SENSE OF HISTORICAL INEVITABILITY. COMING AFTER THE COMMUNIQUE'S LIMITATIONS OF QUANTITY AND QUALITY OF U.S. ARMS SALES TO TAIWAN, HU YAOBANG'S AUGUST 23 STATEMENT TO AFP CONCERNING CHINESE INTEREST IN FRENCH MIRAGES COULD AT LEAST IN PART BE AIMED AT EXACERBATING TAIWAN'S CONCERNS ON THIS SCORE. BEIJING PROBABLY CALCULATES THAT, NOTWITHSTANDING CONTINUED INTRANSIGENCE FROM TAIPEI, OVER TIME AND AS A RESULT OF ITS CARROT AND STICK TACTICS, TAIWAN LEADERS WILL FEEL OBLIGED TO DEMONSTRATE SOME FLEXIBILITY IN THEIR RESPONSE TO CHINA'S OVERTURES. IF TAIWAN TOOK EVEN THE SMALL STEP OF PERMITTING LOW-LEVEL CONTACTS WITH CHINA, THE REFORMIST LEADERSHIP IN BEIJING COULD POINT TO ANOTHER MAJOR POLICY SUCCESS WITH POSITIVE IMPLICATIONS FOR EVENTUAL REUNIFICATION WITH TAIWAN NOT ENTAILING RESORT TO MILITARY FORCE.

6. AT THE SAME TIME, WE BELIEVE THAT THE CHINESE WILL BE WATCHFUL AGAINST THE POSSIBILITY THAT TAIWAN MAY ATTEMPT TO NEUTRALIZE PRC MOVES BY TURNING TOWARD INDEPENDENT COUNTRY STATUS OR A NUCLEAR WEAPONS OPTION. IN HIS AUGUST 23 DISCUSSION WITH VISITING MIT PROFESSOR WILLIAM GRIFFITH, VICE FOREIGN MINISTER HAN XU TOOK THE OCCASION TO CITE DENG XIAOPING AS PREVIOUSLY STATING THAT A DECISION BY TAIWAN TO UNDERTAKE ONE OF THESE OPTIONS, OR TO MOVE TOWARD THE SOVIETS, WOULD COMPEL A BASIC REAPPRAISAL OF CHINA'S PEACEFUL REUNIFICATION POLICY.

- THE COMMUNIQUE AND CHINESE INTERNAL POLITICS

SECRET

SECRET

82 9332956

SSO

PAGE 003

NC 9332956

TOR: 271308Z AUG 82

7. OWING TO DOMESTIC POLITICAL CONSIDERATIONS, CHINESE LEADERS ARE LIKELY TO BE AS MUCH CONCERNED WITH APPEARANCES AS WITH SUBSTANCE WHERE U.S. ACTIONS ON THE ARMS SALES ISSUE ARE CONCERNED. ALL PUBLICIZED U.S. SALES WILL, AT MINIMUM, PROVOKE CHINESE WARNINGS AND REMINDERS THAT THEY ARE CAREFULLY WATCHING OUR ACTIONS. WHILE THE CHINESE WERE PREPARED FOR THE F-5E DECISION, MINIMIZED THEIR PUBLIC REACTION TO IT, AND APPARENTLY WERE ABLE TO MANAGE THE DOMESTIC FALLOUT, THEY COULD BE JOLTED BY A SERIES OF MAJOR PUBLICIZED NEW APPROVALS IN THE AFTERMATH OF THE COMMUNIQUE BILLED BY US AS CONCRETE EVIDENCE OF U.S. INTENTIONS TO SUPPORT TAIWAN. THIS WILL BE ESPECIALLY TRUE DURING THIS PERIOD BEFORE AND DURING THE 12TH PARTY CONGRESS WHEN DENG AND HIS POLICIES WILL BE IN THE SPOTLIGHT -- AND ON THE SPOT. ALTHOUGH DENG WOULD CLEARLY PREFER TO AVOID AN EARLY CONCRETENESS ON THE TAIWAN/ARMS SALES ISSUE, HE CAN BE EXPECTED TO MOVE PROMPTLY AND DECISIVELY TO HEAD OFF CHARGES BY DOMESTIC OPPONENTS THAT, AS IN 1978, HE HAD BEEN "TAKEN" BY THE U.S. AND COMPROMISED CHINA'S SOVEREIGNTY.

- CHINESE POSTURE ON COMMUNIQUE IMPLEMENTATION

8. FOR THE FORESEEABLE FUTURE, BEIJING WILL BE AT PAINS TO DEMONSTRATE THAT IT IS LIVING UP TO ITS SIDE OF THE BARGAIN SET FORTH IN THE JOINT COMMUNIQUE. CHINESE OFFICIALS, INCLUDING SENIOR ONES, WILL CONTINUE TO ENUNCIATE BEIJING'S FUNDAMENTAL POLICY OF PEACEFUL REUNIFICATION. CONCURRENTLY, CHINA WILL CONTINUE TO PROMOTE ITS MORE BENIGN POLICIES TOWARD THE TIBETAN AUTONOMOUS REGION, SO AS TO DRAW ATTENTION TO THE TAIWAN PARALLEL. SIMILAR CONSIDERATIONS MAY INFLUENCE BEIJING'S APPROACH TO DEALING WITH THE HONG KONG ISSUE.

9. BEIJING'S PUBLIC STATEMENTS SINCE THE SIGNING OF THE COMMUNIQUE HAVE SOUGHT TO SIGNAL THAT FUTURE SINO-AMERICAN RELATIONS WILL REMAIN HOSTAGE TO CONTINUED MOVEMENT TOWARD A SOLUTION OF THE ARMS SALES PROBLEM. THE AUTHORITATIVE AUGUST 17 MFA STATEMENT, FOR EXAMPLE, DIRECTLY LINKED THE "MAINTENANCE AND DEVELOPMENT" OF SINO-AMERICAN RELATIONS TO THE "EARNEST" IMPLEMENTATION OF "RELEVANT PROVISIONS" OF THE COMMUNIQUE. A SIMILAR NOTE WAS SOUNDED IN AMBASSADOR CHAI'S AUGUST 24 STATEMENT TO CBS THAT "ONLY WITH THE THOROUGH IMPLEMENTATION OF THESE PRINCIPLES AND COMMITMENTS WILL SINO-U.S. RELATIONS DEVELOP SMOOTHLY."

10. PRIVATELY, THE CHINESE HAVE ALREADY BEGUN TO FOLLOW UP NEW U.S. ARMS SALES TO TAIWAN BY PRESSING US FOR AS MUCH INFORMATION AS POSSIBLE ON EACH TRANSACTION WHILE ARGUING THEIR INTERPRETATION OF COMMUNIQUE POINTS IN A WAY DESIGNED TO CONTRAIN OUR MANEUVERABILITY. THEY WILL POINT TO "APPROPRIATE CONSULTATIONS" IN PARAGRAPH 9 AND OTHER COMMUNIQUE LANGUAGE IN DEFENDING THEIR RIGHT TO ASSURE THEMSELVES THAT EACH ANNOUNCED SALE LEGITIMATELY FALLS WITHIN THE FRAMEWORK OF THE AGREEMENT.

BECAUSE OF THE HIATUS IN NEW U.S. APPROVALS OF ARMS SALES OVER THE PAST YEAR AND A HALF, THE CHINESE MAY HAVE STEELED THEMSELVES FOR SEVERAL MORE IN THE NEAR FUTURE. WE CAN EXPECT MEASURED CHINESE EXDIS

REACTIONS PROVIDED WE CAREFULLY MANAGE PUBLICITY, MAINTAIN THE UTMOST SECRECY IN OUR MILITARY-RELATED DEALINGS WITH TAIWAN, AND ARE SEEN BY THE CHINESE TO BE OPERATING CLEARLY WITHIN THE GUIDELINES OF THE COMMUNIQUE. THE CHINESE WILL TRY TO ENGAGE US IN REPEATED DISCUSSIONS OF THE MEANING OF THE COMMUNIQUE AND OUR VIEW OF GUIDELINES OF "QUALITY AND QUANTITY," PERHAPS IN TIME ASKING FOR A MORE FORMAL REVIEW OF OUR ARMS SALES. IT IS CLEARLY IN OUR INTEREST TO POSTPONE ANY SUCH REVIEW, AND TO AVOID CREATING UNNECESSARY UNCERTAINTIES THAT MIGHT STIMULATE ONE.

SECRET

SECRET

82 9332956

SSO

PAGE 004

NC 9332956

TOR: 271308Z AUG 82

- CHINESE VIEWS ON PROSPECTS FOR SINO-AMERICAN
- RELATIONS

11. WHILE UNDOUBTEDLY CONNECTED WITH THE LEADERSHIP'S DESIRE TO PLACE THE COMMUNIQUE IN THE MOST FAVORABLE LIGHT ON THE EVE OF THE PARTY CONGRESS, THE INITIAL LOW-KEY CHINESE REACTION TO THE F-5E ANNOUNCEMENT AND TO THE EXPRESSIONS OF SUPPORT FOR TAIWAN BY U.S. OFFICIALS IS A POSITIVE SIGN. DESPITE THE OCCASIONAL PUBLIC CALL FOR A "THOROUGH SOLUTION" OF THE ARMS SALES QUESTION "AT AN EARLY DATE," WE BELIEVE THAT THE CHINESE ARE RESIGNED TO A FAIRLY LENGTHY TIME PERIOD OF REDUCTIONS OF U.S. ARMS SALES. THE CHINESE HAVE INDICATED THAT THE NEXT MONTH WILL BE A PERIOD IN WHICH THEY WILL EVALUATE HOW THE COMMUNIQUE WILL BE INTERPRETED IN PRACTICE. THIS PERIOD, OF COURSE, COINCIDES PARTLY WITH THE 12TH PARTY CONGRESS, BEGINNING SEPTEMBER 1. WE SHOULD, THEREFORE, PROCEED PRUDENTLY TO MAKE RECOMMENDATIONS TO THE CHINESE CONCERNING REVIVED MOVEMENT IN OUR RELATIONSHIPS, INCLUDING IN THE MILITARY AREA.

12. IT IS NOTEWORTHY THAT COMMENTS OF CHINESE OFFICIALS ON FUTURE PROSPECTS FOR THE RELATIONSHIP HAVE BEEN MORE UPBEAT THAN BEIJING'S SOMEWHAT WARY AND NONCOMMITTAL PUBLIC POSTURE ON THIS SUBJECT:

- -- DENG TOLD THE AMBASSADOR THAT THE COMMUNIQUE "WILL LEAD TO A CONTINUED DEVELOPMENT OF SINO-AMERICAN RELATIONS" PROVIDED NO "NEW SHADOWS" APPEAR DURING THE IMPLEMENTATION PHASE. HE WELCOMED THE PROPOSAL FOR SECRETARY SHULTZ TO VISIT CHINA, REMARKED THAT PREMIER ZHAO WOULD DEFINITELY VISIT THE U.S., AND SUGGESTED THAT DATES FOR THESE VISITS BE WORKED OUT IN DIPLOMATIC CHANNELS.

- -- IN AN AUGUST 24 CONVERSATION WITH EMBOFFS, MFA USA DIVISION DEPUTY DIRECTOR NI YAOLI, AFTER NOTING NEAR-TERM PROBLEMS WHICH SHOULD BE ADDRESSED, INCLUDING ECONOMIC DIFFERENCES AND "DEFECTIONS," SAID THAT THE TWO SIDES SHOULD LOOK TO EXCHANGES OF VISITS AS A GOOD FIRST STEP TO GET THE RELATIONSHIP BACK ON TRACK. AFTER MENTIONING THE VISITS BY SECRETARY SHULTZ AND PREMIER ZHAO, HE STATED THAT THE TWO SIDES SHOULD FINALIZE DATES FOR THE NEXT MEETING OF THE JOINT ECONOMIC COMMISSION AND RESUME DISCUSSION OF THE MILITARY RELATIONSHIP. IN CONNECTION WITH THE LATTER POINT, NI ASKED FOR THE STATUS OF THE LIU HUAQING VISIT TO WASHINGTON. EMBOFF REPLIED THAT THE INVITATION REMAINED ON THE TABLE. WANG LI, AN MFA AMERICAN SPECIALIST ALSO PRESENT, INTERVENED TO ASK IF THE U.S. COULD "MAKE THE FIRST MOVE" IN RENEWING THE INVITATION. EMBOFF ANSWERED BY REPEATING THAT THE INVITATION REMAINS ON THE TABLE. DURING THE DISCUSSION, NI STATED THAT, WHILE "OF COURSE" IT WILL BE A FEW WEEKS OR MONTHS BEFORE SINO-AMERICAN ACTIVITIES PICK UP AGAIN, IT WOULD BE GOOD TO BEGIN THE PLANNING PROCESS NOW.

- RECOMMENDATIONS

13. WE ARE CLEARLY IN A PERIOD IN WHICH BOTH SIDES ARE PROBING THE OTHER'S LIKELY APPROACH TO IMPLEMENTATION OF THE COMMUNIQUE'S PROVISIONS. DURING THIS SENSITIVE TIME, OUR BEST COURSE IS A POSITIVE BUT SOMEWHAT RESERVED ONE, GEARED TO BUILDING THE FOUNDATION FOR A NEW, MORE FORWARD-LOOKING PHASE OF THE RELATIONSHIP, WHILE FEELING OUT THE CHINESE AS TO JUST WHAT THEY HAVE IN MIND. TO THIS END, WE COULD FOLLOW UP DENG'S SUGGESTION TO SET THE DATES FOR SECRETARY SHULTZ' VISIT, WHICH WOULD BE THE RETURN VISIT FOR HUANG HUA'S TRIP TO THE U.S. LAST OCTOBER. WE COULD ALSO BEGIN PRELIMINARY PLANNING FOR A TRIP BY PREMIER ZHAO TO THE U.S. NEXT YEAR. AS SUGGESTED IN BEIJING 11539, IN ADVANCE OF SUCH HIGH-LEVEL VISITS IT MIGHT BE HELPFUL TO SCHEDULE SENIOR WORKING-LEVEL CONSULTATIONS IN EITHER CAPITAL TO PERMIT AN IN-DEPTH EXPLORATION OF OUR MUTUAL POSITIONS ON BILATERAL AND STRATEGIC ISSUES. ALL SUCH STEPS, OF COURSE, COULD BE PEGGED TO ARTICLE 8 OF THE

SECRET

SECRET

82 9332956 SSO

PAGE 005
TOR: 271308Z AUG 82

NC 9332956

COMMUNIQUE.

14. EVEN THOUGH NI YAOLI DIRECTLY RAISED THE POSSIBILITY OF RENEWED MOVEMENT IN THE MILITARY AREA, WE NEED TO EXERCISE SOME CAUTION. WE CANNOT YET BE CERTAIN THAT NI'S RECEPTIVE ATTITUDE REFLECTS THE CONSENSUS OF HIS SUPERIORS AND OF THE CHINESE LEADERSHIP GENERALLY. FOR THE MOMENT, OUR BEST EXDIS

COURSE MAY SIMPLY BE TO REITERATE THAT THE LIU HAQING INVITATION REMAINS ON THE TABLE, ADDING OUR HOPE THAT THE CHINESE SIDE WILL BE ABLE TO FOLLOW THROUGH AT AN EARLY JUNCTURE. ALSO, RECALLING THE LENGTHY DISAGREEMENTS WITHIN THE USG WHILE PREPARING FOR THE SCHEDULED LIU HUAQING VISIT LAST YEAR, WE SUGGEST THAT NEW DECISIONS OR REAFFIRMATION OF OLD ONES SHOULD BE ACCOMPLISHED SOON SO AS TO BE READY FOR A VISIT. HUMMEL

END OF MESSAGE

SECRET

SECRET